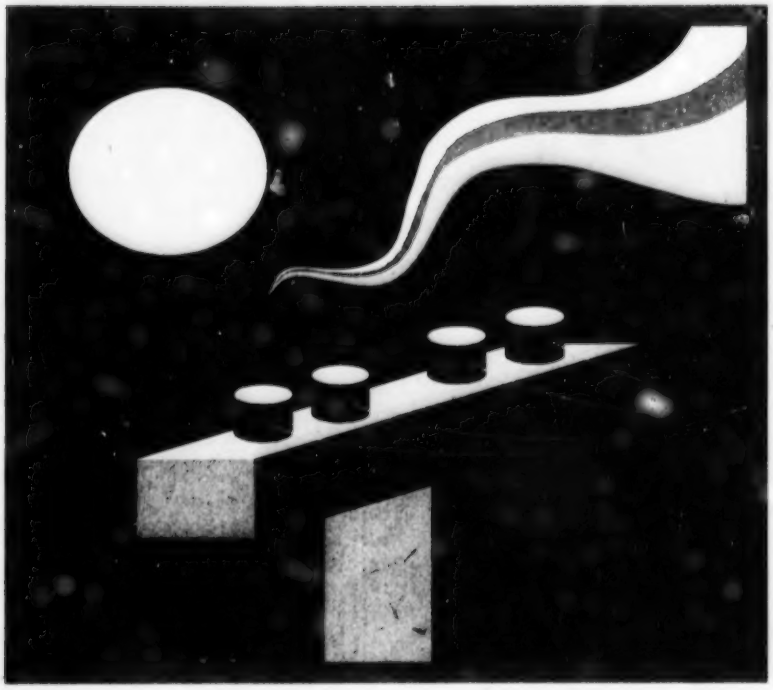

1999 Annual Report

PUBLIC UTILITIES BOARD

OF THE NORTHWEST TERRITORIES

Northwest Territories

PUBLIC UTILITIES BOARD

OF THE NORTHWEST TERRITORIES

ANNUAL REPORT

For the year ending
December 31, 1999

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100-03665/

Northwest Territories Minister Responsible for the Public Utilities Board

The Honourable Daniel Marion
Commissioner of the Northwest Territories

I take pleasure in submitting the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 1999.

Roger J Allen

Roger Allen

Attachment

Northwest Territories Public Utilities Board

March 8, 2000

The Honourable Roger Allen
Minister Responsible for
the Public Utilities Board
of the Northwest Territories

Sir:

I have the honour to present the report of the activities of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 1999.

Respectfully submitted,

John E. Hill
Chairperson
Public Utilities Board

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SUMMARY OF 1999 BOARD DECISIONS

DECISION 1-99 - February 11, 1999

Application - By letter dated February 9, 1999, Northwest Territories Power Corporation ("**NWTPC**") filed an application for approval of a project permit pursuant to Section 54 of the Public Utilities Act ("**the Act**") for a major capital project, namely repairs to the Snare/Yellowknife transmission line.

Order - After giving consideration of the public need for the project and the reliability of the utility, the Board approved the application for a project permit to undertake the repairs, in accordance with the application. In the Decision, the Board noted that regulatory treatment of the costs, prudence issues and the impact on rates will be examined when NWTPC files amended rate schedules.

DECISION 2-99 - March 2, 1999

Application - By letter dated January 28, 1999, NWTPC filed rate schedules to reflect a further movement toward the 95% to 105% revenue to cost range, consistent with the direction contained in Decision 12-97. As well, NWTPC requested approval for a change in the customer charge for Domestic Customers and the Demand Charge for Commercial Customers. Also, included in the application was a request for approval for re-balanced rates for the Community of Sanikiluaq for 1999/2000.

Order - The Board approved NWTPC's rate schedules as submitted.

DECISION 3-99 - March 12, 1999

Application - NWTPC applied for approval for a proposed Franchise Agreement for the supply and distribution of electrical power to users within the Hamlet of Paulatuk.

Order - The Board approved the Electric Franchise Agreement.

DECISION 4-99 - March 25, 1999

Application - By letter dated March 16, 1999, 923204 NWT Limited (a wholly owned subsidiary of NWTPC) submitted an application requesting an order pursuant to section 18 of the Act declaring that the provisions of the Act do not apply to it.

Order - The Board reviewed the evidence and declared, pursuant to section 18 of the Act, that the provisions of the Act do not apply to 923204 NWT Limited with some exceptions.

DECISION 5-99 - April 23, 1999

Application - On April 12, 1999, NWTPC submitted an application to revise its Norman Wells Rate stabilization Refund Rider "A".

Order - The Board reviewed and approved the proposed Rider "A" application.

DECISION 6-99 - May 11, 1999

Application - By letter dated February 2, 1999, Imperial Oil Resources N.W.T. Limited submitted an application requesting an order pursuant to section 18 of the Act declaring that the provisions of the Act do not apply to it.

Order - The Board reviewed the evidence and declared, pursuant to section 18 of the Act, that the provisions of the Act do not apply to Imperial Oil Resources N.W.T. Ltd. with some exceptions.

DECISION 7-99 - July 7, 1999

Application - By letter dated March 29, 1999, Northland Utilities (NWT) Limited ("**Northland NWT**") submitted a General Rate Application for the 1999 and 2000 test years. Northland NWT requested the Board:

1) determine the rate base and revenue requirements for each of the forecast Test Years 1999 and 2000;
2) approve rates for the Hay River, Fort Providence/Dory Point/Kakisa, Trout Lake and Snare Lake service areas for the forecast Test Years for 1999 and 2000, and;
3) approve the revised Electric Service Regulations

Order - Northland NWT advised the Board that it would like to negotiate a settlement with respect to Phase I issues and that interested parties would be contacted

On June 16, 1999, Northland NWT provided the Board with a copy of a Negotiated Settlement concerning all Phase I issues.

The Board approved the Negotiated Settlement Agreement as submitted.

DECISION 8-99 - August 17, 1999

Application -In a letter dated July 23, 1999, Northland NWT submitted an application for Interim Refundable Rates effective September 1, 1999.

Order - After reviewing the application, the Board found no evidence that Northland NWT would suffer any financial hardship and denied the interim, refundable rate increase.

DECISION 9-99 - September 1, 1999

Application - By letter dated August 23, 1999, Counsel for Inuvik Gas Ltd. ("**IGL**") submitted Terms and Conditions of Service in accordance with the Order contained in Board Decision 10-98.

Attached to the Terms and Conditions of Service were Rate Schedules for the sale of natural gas to residential and general service customers. IGL requested the Board waive the 60-day period for the filing of rates as set out in Decision 10-98.

Order - The Board waived the 60-day period set out in Order 2 of Board Decision 10-98 with respect to the filing of rate schedules, only with respect to the request dated August 23, 1999.

The Board noted that it was reviewing the filed Terms and Conditions of Service and would issue a further decision with respect to its findings.

DECISION 10-99 - October 4, 1999

Application - By letter dated September 13, 1999, Northland NWT submitted an application to revise its fuel clause rider for the community of Snare Lake.

Order - The Board reviewed and approved the fuel clause rider application, as submitted.

DECISION 11-99 - October 15, 1999

Application - By letter dated August 23, 1999, Counsel for IGL submitted Terms and Conditions of Service in accordance with the Order contained in Board Decision 10-98.

Order - By letter dated September 8, 1999, the Board raised a number of concerns with respect to IGL's Terms and Conditions of Service. IGL responded to the Board's letter and where changes were not made, submitted that it had provided sound reasons for its approach. The Board approved the proposed Terms and Conditions of Service as revised.

DECISION 12-99 - November 1, 1999

Application - By letter dated October 22, 1999, Northland Utilities (Yellowknife) Limited ("**Northland YK**") filed an application to change the existing Yellowknife franchise tax rate.

Order - After reviewing the proposed amendment to the franchise tax rate, the Board approved the change as filed.

DECISION 13-99 - December 21, 1999

Application - By letter dated March 29, 1999, Northland NWT submitted a General Rate Application for the 1999 and 2000 test years. Northland NWT requested the Board:

1) determine the rate base and revenue requirements for each of the forecast Test Years 1999 and 2000;
2) approve rates for the Hay River, Fort Providence/Dory Point/Kakisa, Trout Lake and Snare Lake service areas for the forecast Test Years for 1999 and 2000, and;
3) approve the revised Electric Service Regulations.

Order - Board Decision 7-99 dealt with the Phase I portion of the Application. The Board reviewed the Phase II portion of the application by way of a public hearing, dealt with through a written process, subsequent to a request by the Hamlet of Fort Providence requesting that the Hamlet be established and recognised for rate making purposes as a separate rate zone.

The Board approved the establishment of a separate rate zone for Fort Providence.

The Board directed Northland NWT to propose a mechanism for adjusting the rates for the Fort Providence and Dory Point/Kakisa zones on an annual basis and also to provide a forecast of the number of years required for full transition to separate zones taking into account future cost of service changes for the new Dory Point/Kakisa rate zone and revenue growth. Northland NWT was directed to prepare and file a revised Rider E consistent with this Decision.

The Board ordered Northland NWT to prepare and file with the Board within 30 days a schedule of just and reasonable rates for the Test Years 1999 and 2000, in accordance with the Decision.

The Board approved the proposed revisions and additions to the Electric Service Regulations.

DECISION 14-99 - December 21, 1999

Application - By letter dated October 25, 1999, Stittco Utilities NWT Ltd. ("**Stittco**") submitted a request to waive the 60-day waiting period with respect to any rate changes as ordered by the Board Decision 9-94.

Order - The Board waived the 60-day period, only with respect to the request dated October 25, 1999. The Board directed Stittco to provide the Board and the Town of Hay River with details of the current bidding process for the current supply of propane and a proposed reconciliation procedure that will be used for Rider "A".

DECISION 15-99 - December 21, 1999

Application - By letter dated December 10, 1999 Northland YK applied for approval to issue a long term instrument in the amount of $500,000 by way of a debenture for a twenty-year term.

Order - After reviewing the application, the Board approved the $500,000 of Long Term Debt Financing.

DECISION 16-99 - December 21, 1999

Application - By letter dated December 10, 1999 Northland NWT applied for approval to issue a long term instrument in the amount of $3,950,000 by way of a debenture for a twenty-year term.

Order - After reviewing the application, the Board approved the $3,950,000 of Long Term Debt Financing.

THE PUBLIC UTILITIES BOARD

1. MANDATE

The Northwest Territories Public Utilities Board is responsible for the regulation of the energy utilities in the Northwest Territories ("**NWT**"). Its prime responsibility, granted under the authority of the Public Utilities Act, is to establish just and reasonable rates for utility services, while balancing the interests of the utility customer and the investors.

2. BOARD ORGANIZATION

The Board consists of the Chairperson and four part-time members. The Board office is administered by the Board Secretary who reports to the full-time Chairperson.

In September of 1991, the Public Utilities Board underwent an organizational restructuring in accordance with amendments to the Public Utilities Act. The restructuring was in anticipation of the increased mandate of the Board, consequential to Northwest Territories Power Corporation Act amendments. The amendments provided that, in addition to determining the rate base and revenue requirements of the Northwest Territories Power Corporation, as of April 1, 1992, the Board be given the further responsibility of determining rates for the Power Corporation.

A full-time Chairperson was appointed to the Board effective September 1, 1991. As the chief executive officer, the Chairperson presides over sittings of the Board and supervises Board employees. The Act gives the Minister Responsible for the Public Utilities Board the authority to appoint, upon the recommendation of the Chairperson, a Secretary to the Board.

The Board was authorized a staff complement of five persons, however, over the past several years we have lost three staff members and decided to not hire replacements. We find that we operate efficiently with two persons and outside consultants. Because of the technical nature of our work, the Board is dependent on specialized outside assistance. We do not plan any changes as the arrangement is cost effective.

The Minister Responsible for the Public Utilities Board, upon the recommendation of Executive Council appoints members of the Board. At present, the Public Utilities Board consists of the following members:

Chairperson	John Hill, Hay River, Northwest Territories
Member	Gene Nikiforuk, Inuvik, Northwest Territories
Member	Henry Beaver, Fort Smith, Northwest Territories
Member	Peter Allen, Yellowknife, Northwest Territories
Member	Gabriella Decorby, Yellowknife, Northwest Territories

The Board is assisted by:

Board Secretary	Louise Larocque
Legal Counsel	John Donihee, Bayly Williams, Yellowknife
Consultants	Raj Retnanandan, Energy Management & Regulatory Consulting Ltd., Edmonton

REGULATORY JURISDICTION

Following are the utilities subject to the Board's jurisdiction:

Northwest Territories Power Corporation
Head Office: Hay River, Northwest Territories

Stittco Utilities NWT Ltd.
Head Office: Hay River, Northwest Territories

Northland Utilities (NWT) Limited
Head Office: Hay River, Northwest Territories

Northland Utilities (Yellowknife) Limited
Head Office: Yellowknife, Northwest Territories

The Town of Norman Wells
Head Office: Norman Wells, Northwest Territories

Aadrii Ltd.
Head Office: Yellowknife, Northwest Territories

Inuvik Gas Ltd.
Head Office: Inuvik, Northwest Territories

UTILITY REGULATION

The need for regulation arises because utilities generally provide service on a monopoly basis without the economic controls of competition. The Public Utilities Board is the proxy for competition and attempts to ensure efficiency and fair pricing. The principles of rate regulation rest on fairness to both the utility and the consumer.

BACKGROUND/1999 IN REVIEW

1. Northwest Territories Power Corporation

On October 1, 1989, the Board assumed limited regulatory jurisdiction over the NWTPC pursuant to the provisions of the the Act and the Northwest Territories Power Corporation Act. Under old legislation, the Power Corporation's rates were prescribed by regulation. The rates set by regulation had been allowed to evolve without the benefit of a consistent set of rate principles.

At the direction of the Executive Council and the Minister Responsible, the Board conducted a public review into NWT electrical rate structures and provided a written report to the Executive Council of the Government of the Northwest Territories in the fall of 1990. All parties to the review, including NWTPC, observed that NWTPC's rates failed to meet acceptable criteria.

On April 3, 1991, a further directive was issued to the Board by the Executive Council and the Minister Responsible for the Public Utilities Board to conduct a public review of the Power Corporation's proposed cost of service methodology.

Subsequent to a public hearing, a written report was provided to the Executive Council on December 1, 1991, which presented an analysis of the proposed cost of service methodology. The report identified areas requiring consideration in order for the Power Corporation to achieve an acceptable cost of service methodology.

Effective April 1, 1992, the Board was given full regulatory jurisdiction over NWTPC.

With the exception the year April 1, 1994 to March 31, 1995, the Board has examined and set NWTPC's Revenue Requirement in every year since 1991. As well, the Board has examined rate zone proposals, rate design and has set rates that properly reflect the cost to serve each community and each customer class within each community.

In 1997, the Board directed NWTPC to set all rates based on each community's cost of service, and to balance rates between customer classes. The Board approved the third of a four-year program of adjustments in March 1999.

In February 1999, the Board reviewed and approved a project permit application for the repair of the transmission line between Snare and Yellowknife.

The Board expects NWTPC to file a General Rate Application late in the year 2000 dealing only with matters affecting the NWT.

2. Stittco Utilities NWT Ltd.

In 1990, Stittco, an investor-owned utility, was exempted from certain provisions in the Public Utilities Act until August 1993 due to the existence of other competitors.

In September 1993, in response to a Board order, Stittco filed a General Rate Application, which it subsequently withdrew. Stittco then filed an application pursuant to Section 18 of the Public Utilities Act requesting that it be exempted from the provisions of the Act.

Subsequent to a public hearing held in Hay River on May 26, 1994, the Board concluded that competition for alternative fuels exists in the Hay River market area sufficient to negate the need for full regulation and ordered that, with some exceptions, the provisions of the Act would not apply to Stittco. The exceptions provide a complaint mechanism comparable to the one in place when the Town of Hay River and Stittco first entered into a franchise agreement.

3. Northland Utilities (NWT) Limited

Northland NWT is an investor-owned utility and is fully regulated by the Board. Northland NWT filed a General Rate Application for the Test Years 1999 and 2000 on March 29, 1999. The Board scheduled two rounds of interrogatories, which led to the utility and the intervenors negotiating a Phase I settlement, which the Board reviewed and approved.

In a letter dated August 23, 1999, the Hamlet of Fort Providence requested the Board, in dealing with the Phase II portion of the Application, give consideration to splitting the Fort Providence and Dory/Point Kakisa rate zone and that Fort Providence be established and recognized for rate making purposes as a rate zone, and filed evidence in support of the position.

As a consequence, the Board recognizing the impact on rates in Dory Point/Kakisa, if a separate rate zone for Fort Providence should be established, advised interested parties that the Phase II hearing scheduled for the end of September was postponed, until notice could be provided to the communities of Dory Point and Kakisa.

The Board requested Northland NWT to place appropriate notice in The Hub and News/North newspapers with respect to the request by the Hamlet that for rate making purposes it be treated as a stand alone rate zone. Also, the Board asked that, if possible, notice should be placed in the Kakisa Band Office and other public buildings.

The Dory Point Settlement (**"Dory Point"**) requested that it be granted intervenor status in a letter dated September 15, 1999. The community of Kakisa did not respond to the published notice. The Board acknowledged Dory Point's request and granted intervenor status.

Dory Point filed evidence and Information Requests on October 15, 1999. In its evidence,

Dory Point suggested that it remain part of the Fort Providence rate zone and that a separate rate zone be established for Kakisa. As well, Dory Point noted that it had been part of the Fort Providence rate zone prior to 1975, and that Kakisa was brought to the rate zone in 1984 when the Fort Providence Dene Band approved the inclusion of Kakisa.

In Decision 13-99 dated December 21, 1999, the Board approved the creation of two separate rate zones, one for the Hamlet of Fort Providence and the other for the communities of Dory Point/Kakisa,

However, in the interest of rate stability the Board considered that a 10% maximum increase in rates per year to Dory Point/Kakisa was appropriate until the revenue cost ratio for the new zone is brought within tolerance.

Northland NWT was ordered to file rate schedules within 30 days reflecting the Board's Decision.

4. Northland Utilities (Yellowknife) Limited

Northland YK is an investor-owned utility and is fully regulated by the Board. The Board is expecting Northland YK to file a General Rate Application in late 2000.

5. The Town of Norman Wells

The Town of Norman Wells became owner and operator of the natural gas distribution system within the Town as of April 1, 1995, pursuant to the provisions of the Norman Wells Gas Distribution Act, which also stipulated that the natural gas distribution system be subject to regulation by the Board.

6. Aadrii Ltd.

Aadrii Ltd. is a joint venture between the Gwich'in Development Corporation and NWTPC, which owns and operates a district heating system in Fort McPherson, NT. In response to an application under Section 18 of the Act, the Board declared that the provisions of the Act do not apply to Aadrii, with some exceptions.

7. Inuvik Gas Ltd.

IGL is the owner and operator of a natural gas distribution within the boundaries of the Town of Inuvik. In response to an application under Section 18 of the Act, the Board has declared that the provisions of the Act do not apply to IGL, with some exceptions.

8. Legislative

Since early 1995, the Board considered how it could assist in a smooth transition respecting regulatory matters after division. In formulating its recommendations to the

Minister Responsible for the Public Utilities Board, the Board took into account the support for the retention of NWTPC as a single entity after division.

The Board's view was that two autonomous Public Utilities Boards regulating one utility operating in two jurisdictions could make conflicting or inconsistent decisions. The Board conducted an investigation with respect to jurisdictional separation of utilities in the United States operating across state borders. As a result of no agreement between states being served by one utility, the utility often receives different rates of return on equity, different rate structures, and regulatory decisions that conflict with each other.

The Board proposed legislation to enable each Board to enter into an agreement for the establishment of a joint division to deal with those applications filed by a utility serving both jurisdictions. The proposal was accepted and appropriate legislation put in place.

However, as a result of Nunavut's decision to split NWTPC it is unlikely that we will need to create a joint division, except with respect to minor matters not requiring a public hearing.

A LOOK AHEAD

1. Strategic and Operational Review

As a result of a number of factors, such as the current movement toward de-regulation of the electric utility industry in other parts of Canada, the increased use of renewable energy technologies and the need to reduce greenhouse gas emissions, the Board decided to undertake a review of its operations to ensure that its methods continue to be appropriate to the nature of the industries that it is regulating.

As well, the Board, as part of the review is considering the possibility that it could be asked to regulate water and/or fuel prices.

2. Canadian Association of Members of Public Utility Tribunals (CAMPUT)

The Northwest Territories Public Utilities Board is an active participant in the activities of CAMPUT. The Board will be hosting the CAMPUT Annual Conference and Annual General Meeting in this year, in Inuvik.